





October 5, 2011

## **HECM Program Update**

The distressed economy and housing market conditions have had a significant impact on the entire mortgage market. As with Forward mortgages, we are seeing the impact of these conditions on Reverse Mortgage performance as reflected in an increase in property charge delinquencies. Over the last few years, the Forward mortgage market has undergone major transformation with emphasis on careful underwriting, risk management, and consumer disclosure and protection.

In response to these conditions, FHA has implemented several adjustments to the HECM program over the last several months to support the financial health of the Mutual Mortgage Insurance fund and sustainability of the program for FHA and eligible borrowers. These adjustments include:

- The introduction of HECM Saver,
- Increased Annual Mortgage Insurance Premiums,
- The reduction of Principal Limit Factors, which resulted in a 10%-15% decrease in available principal limit, and
- The issuance of extensive guidance on handling property charge related delinquencies with detailed requirements for notification to borrowers, reporting to HUD, loss mitigation and counseling support.

The HECM program is an important financial option for senior homeowners, but since its development as a pilot 20 years ago, it has undergone minimal change. The time has come to reassess program options and origination requirements to ensure that the program serves its intended purpose and borrowers understand and are able to meet their obligations related to the transaction.

FHA is currently in the process of revisiting its regulations to propose and ultimately adopt changes that are necessary to make the HECM program even more successful. Many changes that are under consideration will require notice and comment rule-making, which is a complex and lengthy process.

As we begin this process, I want to reiterate that HUD's HECM criteria represent the mandatory baseline requirements for approval of a HECM. HUD does not prohibit the inclusion of additional financial capacity and credit assessment criteria and processes in the origination and approval of HECM transactions. Such criteria or processes, however, may not violate FHA statutes and regulations, or other applicable law, such as Fair Housing/Fair Lending laws, the Equal Credit Opportunity Act, Regulation B, etc.

## **LINKS**

HUD.gov/fha

HUD press releases And I want to add that the "The Helping Families Save Their Homes Act," enacted May 20, 2009, emphasizes the importance of FHA-approved lenders engaging in responsible business practices that conform to generally accepted practices of prudent lenders.

As we move forward in our efforts to strengthen the HECM program, we look forward to engaging the HECM stakeholders and working together on this important program for elderly borrowers.

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